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**CENTRAL INTELLIGENCE AGENCY**  
**INFORMATION REPORT**

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COUNTRY East Germany

REPORT

SUBJECT East German Import, Export and Trading Organizations

DATE DISTR. 31 December 1954

NO. OF PAGES 3

DATE OF INFO.

REQUIREMENT NO. RD

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PLACE ACQUIRED

REFERENCES

This is UNEVALUATED

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.  
THE APPRAISAL OF CONTENT IS TENTATIVE.  
(FOR KEY SEE REVERSE)

1. The various specialized agencies of Deutscher Innen- und Aussenhandel (DIA), at the present time, number seventeen. These DIA agencies (referred to as DIAs) are subordinate to the Ministry of Foreign and Internal German Trade (Ministerium fuer Aussen- und Innerdeutschen Handel - MAI) and function as the actual export and import offices of this ministry.
2. The individual DIAs are guided by general directives and specific instructions from MAI, and they have two related functions in the export field:
  - a. To seek foreign purchasers in their assigned fields for products that were specifically manufactured for export in accordance with the foreign trade plan,
  - b. To accept foreign orders for products in their fields and to make contracts with East German enterprises for the manufacture of such products if they are not already available for export.
3. All enterprises, privately or government-owned, prepare a production plan each year. This plan is amended or approved by the Ministry to which the enterprise is subordinate, by the MAI, and by agencies of the State Planning Commission. The approved plan contains, if applicable, a distinction between products for domestic consumption and those for export sales; for, at times, items for domestic consumption are of an inferior quality to those destined for export.
4. The MAI allocates sufficient quantities of export products to satisfy the requirements of the annual trade agreements with East Bloc states. These trade agreements, as well as the entire East German production plan, are amended, if necessary, and approved in Moscow. The production plans, as well as export and import plans of the various Soviet Satellites, are integrated in Moscow into the overall East Bloc Economic Plan formulated to satisfy Soviet desires. It is possible, though not confirmed, that this coordinating agency is the Council for Economic Mutual Aid (CEMA).

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5. The MAI notifies the appropriate DIA of the availability of export products after the requirements of the trade agreements have been satisfied. The DIAs then try to find customers for such products, whether in East Bloc or Western countries.
6. In the event a foreign purchaser desires to buy products that are not immediately available (either all export quantities are already sold or contracted for, or the product needs to be made on special order, such as large installations), the DIAs contract the required manufacturers, whether private or government-owned, to manufacture the desired product. All of these sales must conform to the directives established by government agencies, and frequently they require an amendment to the annual production plans.
7. The various Deutsche Handelszentralen (German Trade Centers-DHZ) are subordinate to the pertinent ministries responsible for production and act as their domestic, i.e., East German, sales and purchasing agencies. In accordance with State Planning Commission policies and directives, certain quantities of capital and consumer goods are made available for domestic consumption. The individual DHZ contracts for the production of these goods and sells them accordingly. These sales may be to other manufacturers, as is the case of raw or semifinished goods or parts needed in the production of other foods or products. Such sales must meet with the approval of the State Committee for Material Procurement. The sales may also be to wholesale distribution agencies of the Government such as the Handelsorganisation (HO), Consumer Cooperatives (Konsum), and organizations such as schools, hospitals, municipalities, etc.
8. The import requirements of manufacturers and government agencies are funneled to the pertinent DHZ who is obligated to contract for the import of these materials with the pertinent DIA. Funds for the purchase of such imports are allocated by the MAI. These may be ruble credits in the case of East Bloc purchases or they may be foreign, hard currency credits and/or barter goods in the case of Western countries.
9. In connection with this financial arrangement, a peculiar situation has developed in the East German industry. Any organization, whether government-owned or private, can be sued for nonfulfillment of delivery contracts. Thus it can happen that manufacturer "A" has contracted to produce and deliver item "X" to the enterprise "B". For this product, "A" needs part "Y" which he asks the pertinent DHZ to obtain. If part "Y" must be imported, the DHZ asks the pertinent DIA to import it. The DIA asks the MAI for the necessary funds. It happens, at times, that the MAI can not make such funds available. Thus, the DIA can not import part "Y", the DHZ can not deliver part "Y" to manufacturer "A", and "A" can not deliver his item "X". The waiting customer "B" sues manufacturer "A" for nonfulfillment of contract and wins the case. "A" sues the DHZ for the nondelivery of item "Y" and may win the case. If the DHZ loses, it will sue the DIA for nonimport of item "Y". The DIA will counter that the necessary funds for the import of item "Y" were not made available, but the court may decide that the DHZ should win the case. Should the DIA attempt to sue MAI, it is unlikely that the case would be accepted by the court. If the case is accepted, the ministry can simply state that foreign trade commitments are such that funds could not be made available for the import of item "Y", and that such an import would have damaged the economy and was not originally planned anyway. The most interesting element in all these court cases is that the fines paid by

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the loser of the suit do not go to the winner, but to the government treasury. The loser pays the fines from its profits, which it is encouraged to make whenever possible, or from operational funds allocated to it by the Government. At any rate, the government treasury always wins.

10. Some of the DHZs are in the process of being **converted** into wholesale offices (Grosshandelskontore) and will then be subordinate to the Ministry of Trade and Supply (Handel und Versorgung). This has already been accomplished in the case of DHZ -Textil.
11. Besides these government agencies, there is a quasi-private organization involved in the import-export business, the Deutsche Warenvertriebsgesellschaft (DWV). It has been reported that the DWV is subordinate to the Politburo of the SED. It executes sales for the procurement of hard foreign currency, principally with capitalistic countries. It is also the purchasing agency for articles on the U.S. embargo list (the import of industrial diamonds). The DWV is the sole export-import agency dealing with Austria. It furthermore has an almost complete monopoly on the sale of nitrogen- and potash-based fertilizers. CHEMIFA and MELETEX belong to the DWV. It is rumored that Walter Ulbricht, Deputy Minister-President, is a stockholder of CHEMIFA.

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